

BILL # HB 2457

TITLE: university athletic facilities district

SPONSOR: Nichols

STATUS: As Amended by House WM

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FISCAL ANALYSIS

Description

This bill would allow the Maricopa, Pima, and Coconino County Boards of Supervisors to establish a University Athletic Facilities District (UAFD) that will allow the Arizona Board of Regents (ABOR) to construct or modify existing sports facilities at a public university. The UAFD would be funded by an in lieu tax on commercial leases of ABOR owned property within the boundaries of the universities. University commercial leases do not currently pay property taxes.

Estimated Impact

The bill would allow the universities to generate new revenues in the form of an in lieu commercial lease tax. If the UAFDs chose to levy the in lieu tax on existing commercial properties, a maximum of \$136,500 could be generated annually in Maricopa County and \$94,600 in Pima County. There is insufficient information to estimate the amount that could be generated by the tax in Coconino County. The universities have indicated that they do not intend to levy the in lieu tax on existing leases.

If universities increase leasing of their property for commercial purposes, the bill has the potential to generate added UAFD revenues. The universities have not provided an estimate of this potential future earnings level.

Analysis

The UAFD would be required to establish a value of the commercially leased property in a manner consistent with the method used by the county assessor to determine the value of similar properties. The property tax assessment ratio (currently 22% for commercial property, which will be phased down to 20% by FY 2011) would then be applied to the value of the property. The UAFD would then establish a tax rate which could not exceed the total property tax rate of all of the jurisdictions in which the property is located, and apply that rate to each \$100 of assessed valuation, similar to the process used in assessing property taxes.

Northern Arizona University (NAU) has indicated they have 1 parcel of commercial property. They did not provide the assessed value for this property, and they have communicated that there are no plans to implement a UAFD in Coconino County. The University of Arizona (UA) and Arizona State University (ASU) both provided information on commercial properties located within their boundaries, and both communicated that they have no plans to implement a UAFD on existing commercial properties in Pima County or Maricopa County, respectively. ASU indicated a UAFD could be created in Maricopa County based on future commercial property agreements. Even though none of the state universities indicated plans to establish a UAFD on existing commercial properties, under the provisions of this bill, UAFDs could be created. The following estimates are based on existing commercial property at UA and ASU.

ASU estimates a need for at least \$170 million in improvements to complete structural repairs necessary to extend the useful life of Sun Devil Stadium for another 50 years. The bill's in lieu tax could be used to finance ASU's identified needs. Under the provisions of the bill, ABOR would be allowed to use debt service financing to pay for the costs of renovating the sports facilities, with the in lieu tax revenue used to pay the annual debt service payments.

If ABOR chose to bond for the entire \$170 million amount to renovate the ASU stadium, it is estimated that the bill's in lieu tax would need to generate approximately \$13.3 million annually in order to pay the debt service payments. This is

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based on the assumption that the term of the debt would be for 20 years at an interest rate of 4.74%, as reflected in the most recent ASU bond package reviewed by the Joint Committee on Capital Review in February 2009.

ASU has identified 24 parcels on 2 sites of its Tempe campus (the southeast corners of University/Mill Avenue and College Avenue/6th Street) that are commercial property. Even though ASU has communicated they do not plan on implementing an in lieu tax on their current commercial leases, the bill does not prohibit them from assessing the tax. The assessed valuation of these parcels is about \$3.1 million. The current primary property tax rate on properties surrounding ASU is \$6.50 per \$100 of assessed valuation while the secondary property tax rate is \$3.07. The maximum commercial lease in lieu tax that could be generated from these properties under the provisions of this bill is approximately \$136,500 annually.

UA has identified 12 parcels on its campus that are commercial property. Even though UA states there are no plans to implement a UAFD in Pima County, the bill does not prohibit them from assessing the tax. The assessed valuation of these parcels is about \$1.6 million. The current primary property tax rate on properties surrounding UA is \$10.06 per \$100 of assessed valuation while the secondary property tax rate is \$3.43. The maximum commercial lease in lieu tax that could be generated from these properties under the provisions of this bill is approximately \$94,600 annually.

Since NAU did not provide information on their commercial parcel, there is insufficient information to estimate the amount generated by a commercial lease in lieu the tax in Coconino County

Local Government Impact

None

3/12/09